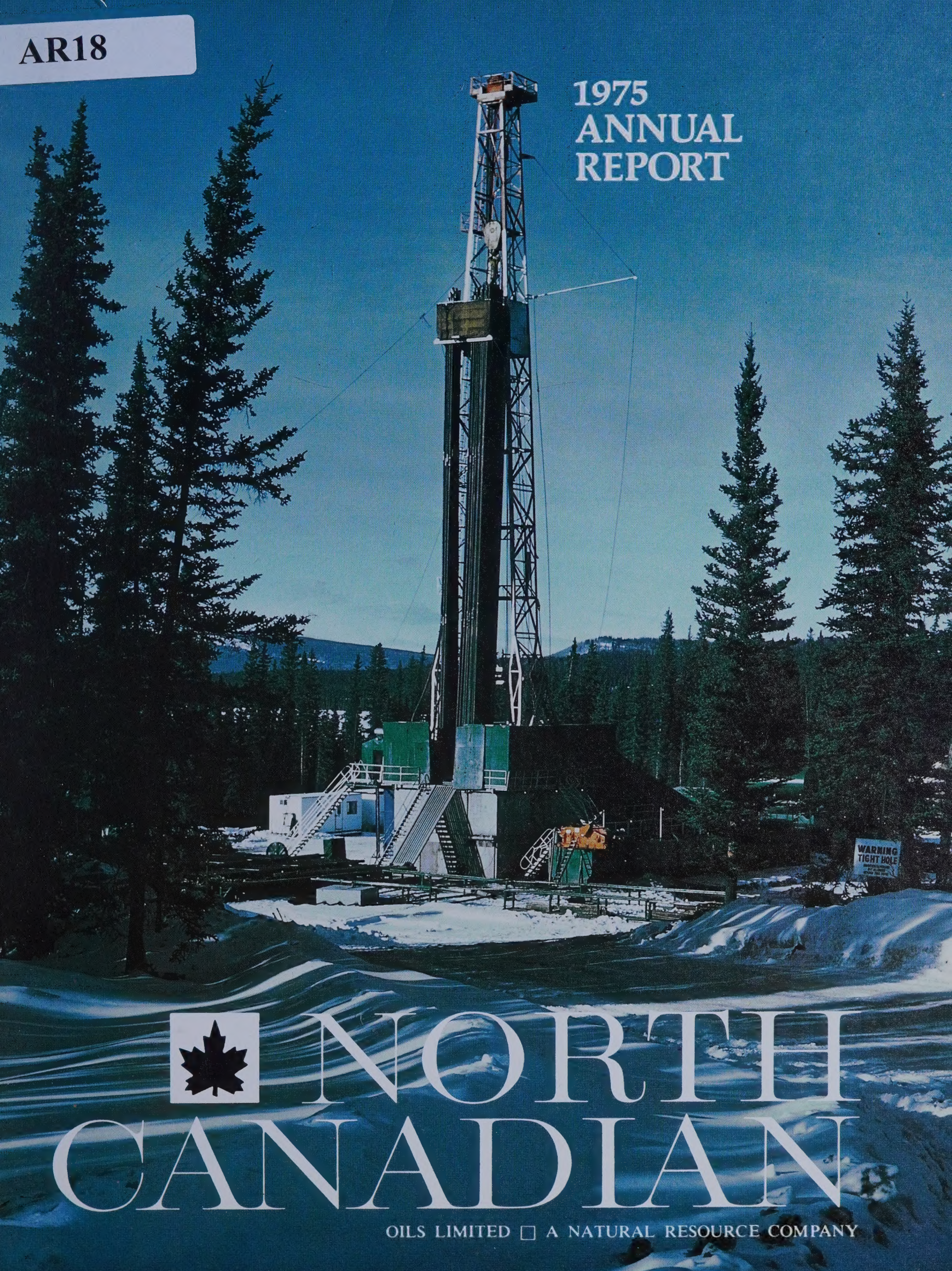
1975 ANNUAL REPORT



NORTH CANADIAN

OILS LIMITED □ A NATURAL RESOURCE COMPANY

THE COMPANY

North Canadian Oils Limited was incorporated in 1947 to engage in the exploration for and development of oil, natural gas and other natural resources in Western Canada. In addition to its ownership and operation of extensive producing properties in the provinces of Alberta and Saskatchewan, the company is also engaged in foreign exploration. It owns a 136 - mile gas transmission line, a varying interest in approximately 8.8 million acres of prospective exploration lands, $15,000,000 in securities and varied other assets. North Canadian's principal sources of income in 1975 were gas production 64%, pipeline revenue 22%, investment and other income 10% and oil production 4%.

ANNUAL MEETING

The 1976 annual meeting of shareholders will be held Thursday, April 29, 1976 at 1:30 p.m., Calgary Inn, Calgary, Alberta, Canada. A formal notice of this meeting together with proxy statement and form of proxy, has been mailed with this report. **All shareholders who are unable to attend the meeting are requested to sign and return their proxies without delay.**

Cover — TPOC et al Entrance 6-25 well in which North Cannadian has a working interest.

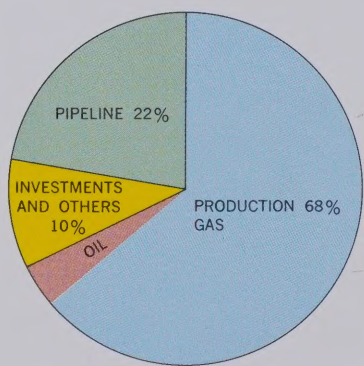
THE YEAR AT A GLANCE

Financial

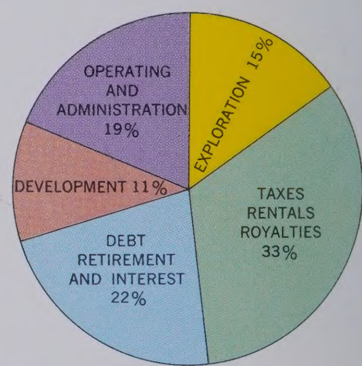
	1975	1974
Gross Revenue (before royalty)	$10,030,000	$ 7,156,000
Cash Flow (after cost of product, operating, administrative and interest expenses)	5,760,000	4,045,000
Net Income before non-recurring loss	3,277,000	1,860,000
Per Share (after provision for preferred share dividend)	56¢	31¢
Net Income after non-recurring loss	3,277,000	686,000
Per Share (after provision for preferred share dividend)	56¢	10¢
Exploration Expenditures	1,502,000	1,136,000
Development Expenditures	1,122,000	2,453,000
Shareholder's Equity	24,520,000	21,428,000

Operating

	1975	1974
Natural Gas Production — billion cubic feet	18.8	15.5
Average per day — million cubic feet	51.5	42.5
Pipeline — Annual throughput, billion cubic feet	6.0	5.0
Oil Production — barrels	52,500	132,000



REVENUE



EXPENDITURES

Estimated Gross Proven Recoverable Reserves — January 1, 1976

GAS	726 Billion cu. ft.
OIL	447 Thousand Bbls.

STATEMENT OF INCOME

for the six months ended June 30, 1975

(with comparative figures for 1974)

	1975	1974
Revenue		
Sale of gas and oil . .	$4,329,000	$3,031,000
Less royalties . . .	674,000	319,000
	3,655,000	2,712,000
Investment interest .	451,000	450,000
Building rental & miscellaneous .	56,000	61,000
	4,162,000	3,223,000
Cost and Expenses		
Cost of gas purchased .	570,000	376,000
Operating	611,000	550,000
Administration and general	135,000	90,000
Interest	215,000	203,000
	1,531,000	1,219,000
	2,631,000	2,004,000
Depreciation and Depletion	387,000	503,000
Income before income taxes	2,244,000	1,501,000
Provision for income taxes		
Current	600,000	100,000
Deferred	200,000	429,000
Net income for period .	$1,444,000	$ 972,000
Earnings per common share	25¢	16¢

The above financial information is unaudited.

G.M.L.

North Canadian Oils Limited
640 Seventh Avenue S.W.
Calgary, Alberta T2P 0Y5

Business Editor
Globe and Mail Report on Business
444 Front Street West
Toronto, Ontario M5V 2S9

LITHOGRAPHED IN CANADA

NORTH CANADIAN

OILS LIMITED ■ A NATURAL RESOURCE COMPANY

INTERIM REPORT

FOR THE SIX MONTHS ENDED JUNE 30, 1975

TO THE SHAREHOLDERS:

As a result of an increase of approximately 60% in the wellhead price for gas and the development of added production, North Canadian enjoyed a substantial improvement in revenue and earnings in the first half of 1975. Gross revenue for the six month period rose from $3,542,000 to $4,836,000. Funds generated from operations totaled $2,631,000 versus $2,004,000 and net income was $1,444,000 or 25¢ a share compared to $972,000 or 16¢ a share reported for the first half of 1974.

An event of great interest to North Canadian was the introduction, on June 23, of the federal budget accompanied by an announcement of the Canadian government's policy on the pricing of domestic crude oil and natural gas. It is the government's stated intention, over the next several years, to increase the price of oil to a level approaching world prices and to establish the price of gas at an equivalent commodity value. The declared objective is to foster conservation of existing supplies and to encourage exploration for new reserves. In the first of an expected series of price increases, the price of oil was, on July 1, raised from $6.50 to $8.00 a barrel. On November 1, the reference price of gas will be set at $1.25 per Mcf at the Toronto city gate and $1.60 per Mcf at the U.S. border. These prices relate to an estimated 95¢ per Mcf at the wellhead for Alberta producers after allowance for transportation charges.

Because of the improving economic outlook for the industry, particularly in the province of Alberta, North Canadian is expanding its planned exploration program this year. In addition to three exploration wells drilled to date it is now contemplated that the Company will participate in another eight to ten wells before the year end. Of the three tests already drilled, two were completed as successful gas discoveries and the other abandoned.

In addition to its stepped up search for oil and gas, North Canadian has filed an application with the Alberta government for authorization to proceed with a core drilling program on the Company's coal leases at Robb. It is not yet known, however, whether the necessary approvals will be received in sufficient time to initiate the proposed evaluation program this year.

August 8, 1975.

Robert F. Ruben

ROBERT F. RUBEN
President

The Common Shares of North Canadian Oils are listed for trading on the American and Toronto Stock Exchanges.

STATEMENT OF CHANGES IN FINANCIAL POSITION

for the six months ended June 30, 1975

(with comparative figures for 1974)

	1975	1974
Source of Funds		
Operations:		
Net income for the period	$1,444,000	$ 972,000
Add items not involving a current outlay of funds:		
Depreciation and depletion	387,000	503,000
Deferred income taxes	200,000	429,000
Funds provided from operations	2,031,000	1,904,000
Proceeds on issue of Common Shares	—	14,000
	2,031,000	1,918,000
Use of Funds		
Additions to property, plant & equipment	460,000	1,316,000
Additions to other assets	—	14,000
Reduction of long-term debt	1,780,000	610,000
Redemption of preferred shares	58,000	30,000
Preferred share dividend	50,000	54,000
	2.348.000	2.024,000
Increase (Decrease) in working capital	(317,000)	(106,000)
Working capital January 1	747,000	328,000
Working capital June 30	$ 430,000	$ 222,000

DEAR SHAREHOLDERS:

North Canadian's net income in 1975 was a record $3,277,000 or 56¢ per common share, 76% above the comparable figure of $1,860,000 or 31¢ a share reported for 1974. Gross revenue of $10,030,000 was up by nearly $3 million or 40%. Cash flow, before provision for current income taxes, was $5,760,000 compared to $4,045,000. Net income for the fourth quarter was $1,102,000 or 18¢ per share versus $429,000 or 7¢ per share for the same period the year before. The gains, which reflect a much improved economic climate in Canada for the industry, are principally attributable to a combination of higher gas prices and increased production which resulted in a 91% increase in the Company's gross revenue from natural gas sales. A continued improvement in revenue and earnings is projected for 1976.

What has proven to be a very significant event for the Company in 1975 was an agreement reached late in the year with the St. Regis Paper Company for an extension of the conversion privilege attached to the $15 million of St. Regis debentures received by North Canadian in 1969 for its interest in North Western Pulp & Power Ltd. Originally scheduled to expire on January 2, 1976, the right to convert the debentures into approximately 400,000 shares of St. Regis common stock at $37.43 a share now runs until January 2, 1978. Since mid January St. Regis shares have been actively trading well above the conversion price.

In a second arrangement with St. Regis, and one which is of long range benefit to the Company, the present gas supply contract between North Canadian Oils and North Western Pulp & Power Ltd. has been renewed for an additional 20 year period following its expiry in April of 1977. Terms of the contract have been modified to recognize higher gas prices and to accommodate expansion of the Hinton Pulp Mill.

In its 1975 exploration and development program the Company drilled or participated with others in the drilling of 29 wells. Four of the fourteen exploration wells were completed as gas or potential gas discoveries and nine were abandoned. Fifteen development wells were successfuly completed and are now on production.

Outside of Canada, the Company has joined with Canadian Superior Oil Ltd. and Asamera Oil Corporation Ltd. in an offshore exploration and production sharing contract with the government of India. It is noteworthy that the Indian Government considers the eight and one half million acre concession area, which lies off the south east coast of India, sufficiently attractive to have elected to retain a 35% working interest in the project and is to that extent sharing in the cost and risk of exploration.

The outlook for 1976 is very encouraging. As previously stated, the political and economic climate has greatly improved in Canada for the petroleum industry. After nearly two years of bitter confrontation, the federal government and the oil producing provinces have reached accord on the key political issues of control and pricing of the country's petroleum resources. The wellhead price of crude oil and natural gas has been substantially increased and further increases are promised. Imaginative drilling incentive programs have been implemented by the producing provinces and meaningful tax relief measures enacted at both the federal and provincial level. From all indications, 1976 should be an active and profitable year for the industry. It will, I am confident, be a good year for North Canadian Oils.

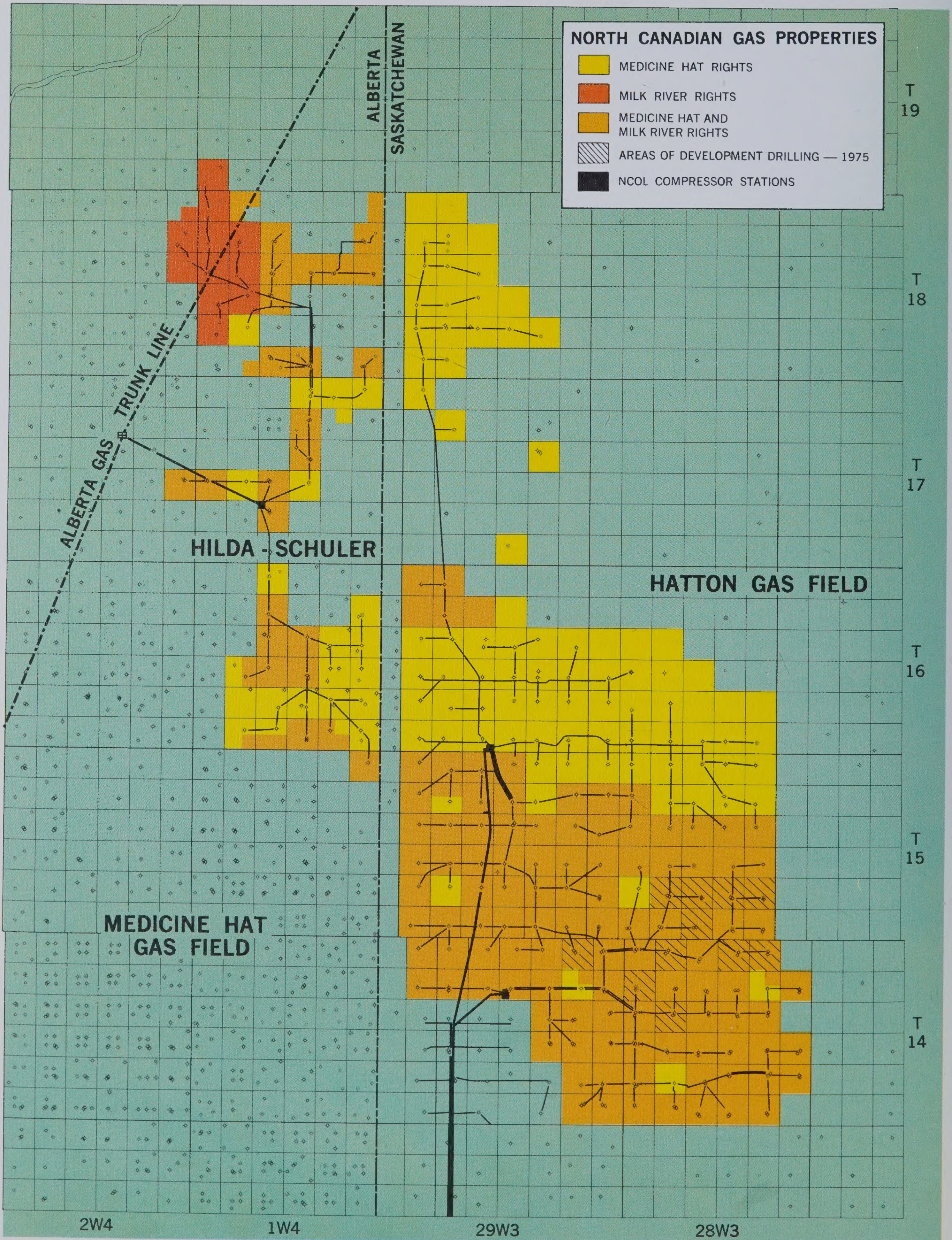
I express my sincere appreciation to all of the Company's employees for their continued loyalty and the dedication with which they have carried out their assigned responsibilities. Without their combined effort the success of the past year would not have been possible.

Respectfully submitted on behalf of the Board of Directors:

Robert F. Ruben

ROBERT F. RUBEN
President and Chief
Executive Officer

March 5, 1976.


NORTH CANADIAN GAS PROPERTIES
MEDICINE HAT RIGHTS
MILK RIVER RIGHTS
MEDICINE HAT AND MILK RIVER RIGHTS
AREAS OF DEVELOPMENT DRILLING — 1975
NCOL COMPRESSOR STATIONS
ALBERTA
SASKATCHEWAN
ALBERTA GAS TRUNK LINE
HILDA - SCHULER
HATTON GAS FIELD
MEDICINE HAT GAS FIELD
T 19
T 18
T 17
T 16
T 15
T 14
2W4
1W4
29W3
28W3

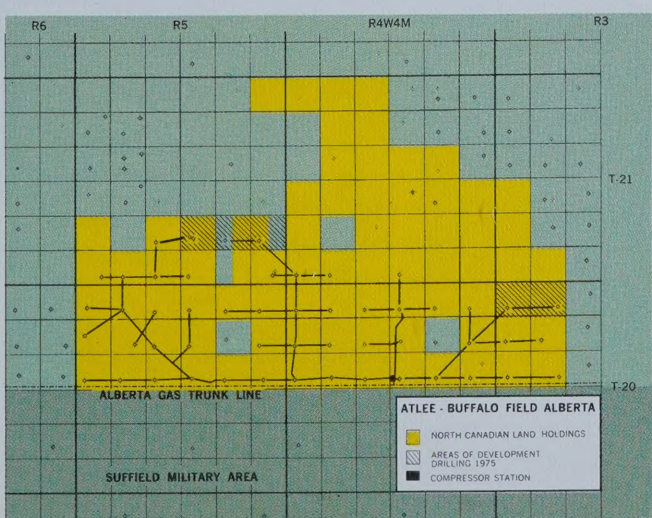
PRODUCTION

Effective November 1, 1975, all gas produced in Alberta is sold through the Alberta Marketing Commission at prices established under the province's Natural Gas Pricing Agreement Act. On that date, the average price received by the Company for its Alberta gas was raised from 50.8¢ to $1.01 per thousand cubic feet, an increase of 100%. A further price increase is expected on July 1, 1976.

Although the price received for gas in Saskatchewan is still well below the price paid in Alberta, recent statements by officials of the Saskatchewan government indicate that a price increase will soon be forthcoming. The last increase received by the Company in Saskatchewan was in September of 1974.

Due to the expiration in 1974, of a short term production sub-lease purchased in 1972, comparative crude oil production for 1975 was down by 60%. The loss is not, however, reflected in reduced earnings as oil sales from the sub-lease were not taken into income.

It is estimated that North Canadian's gross proven recoverable gas reserves on January 1, 1976, were 726 billion cubic feet. The Company's crude oil reserves on that date are calculated at 447,000 barrels.



DEVELOPMENT

Following a record development program in 1974, expenditures for development in 1975 were reduced substantially. In Saskatchewan, eleven new wells were completed and tied into production in the late fall. There were, in addition, some modifications made in the Hatton gas gathering system to eliminate pressure drops due to an overload of certain sections of the system. Five wells were drilled at Buffalo - Atlee, three of which are owned 100% by the Company and two in which it has a 50% interest.

North Canadian presently owns and operates 371 gas wells in the provinces of Alberta and Saskatchewan and is operator of the Corbett Creek Viking Gas Unit.

It is estimated that the Company has over 200 proven drilling locations for future development.

PIPELINE

The Wabamum-Hinton gas pipeline, a major asset of the Company, contributed 21.6% of North Canadian's total income in 1975. Initially constructed to service the Company's exclusive fuel contract with North Western Pulp & Power, the line now serves a multitude of customers along its 136 mile route.

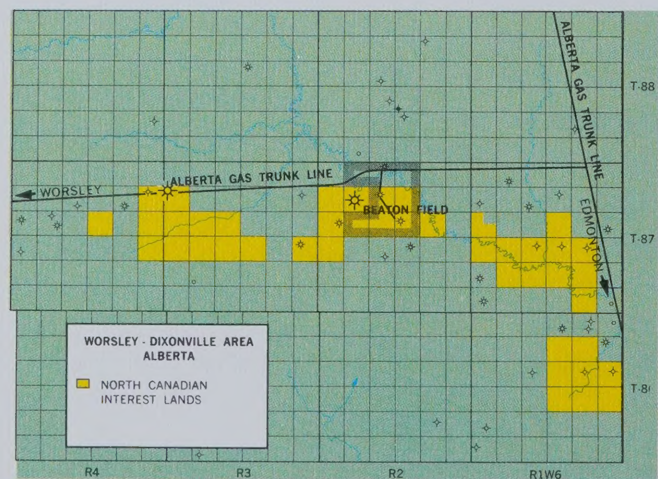
Average daily throughput in the line in 1975 was 16.5 million cubic feet, an increase of approximately 20%. Although gross revenue from the line was up modestly there was little improvement in net operating income due to a 2.4% reduction in industrial sales as a result of two prolonged shut downs by the Hinton pulp mill.

Late in the year, negotiations were completed with North Western Pulp and Power for a new additional 20 year gas sales contract to become effective upon expiration of the present agreement in April of 1977. The new agreement gives recognition to higher gas prices and the long term requirements of the Pulp Company including future expansion.

EXPLORATION

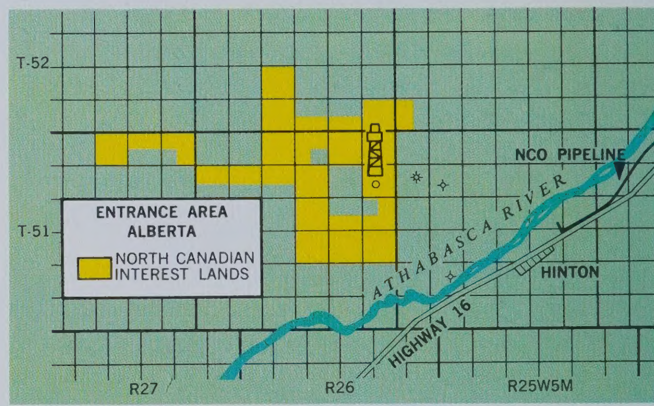
In a marked increase in exploration activity the Company participated in the drilling of fourteen exploration wells in 1975. Four of the wells, all in the province of Alberta, have been completed as new gas discoveries and the others abandoned.

One discovery well, located in the Worsley-Dixonville area, is estimated to have a production capability of 5 million cubic feet a day. Completed in the Bluesky gas sand, the well appears to have penetrated a new gas pool lying one and one half miles west of the established Beaton Bluesky Sand Gas Field. The new well will be tied into the Beaton Field gathering system as soon as ground conditions permit.



At East Worsley, a discovery well drilled by Pacific Petroleums Ltd. on lands owned by North Canadian and a partner tested gas from the Devonian Leduc formation at the rate of fourteen million cubic feet a day. North Canadian retains an 18.4% interest in the well plus a varying interest of from 18.4% to 50% in 7,040 acres of surrounding land.

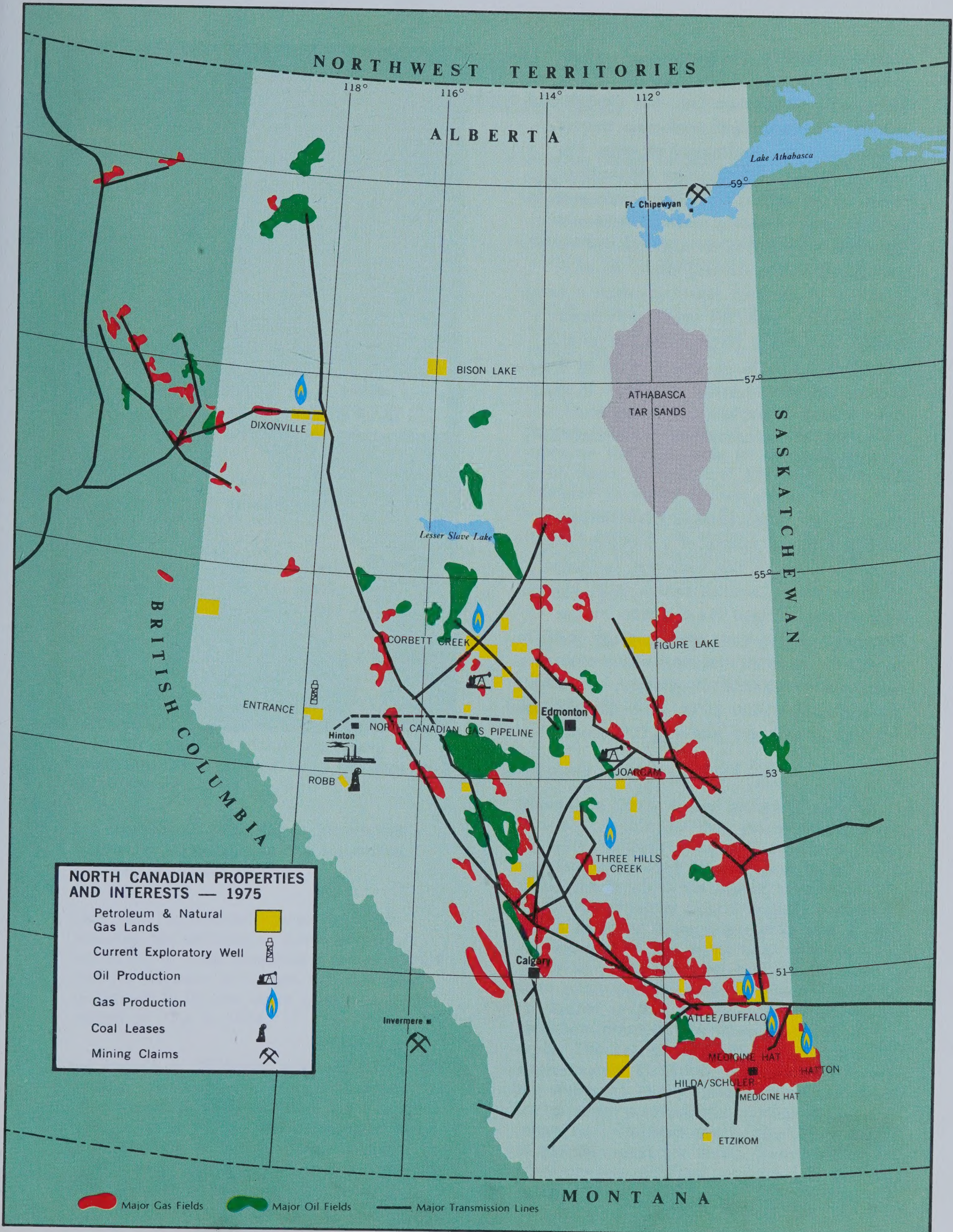
A test well drilled in the Figure Lake area of east central Alberta has been completed as a potential dual zone gas discovery. Further testing of both the Cretaceous gas sands and Devonian gas zone is to be carried out prior to spring break-up. North Canadian has a 22% interest in the discovery well and a 22% to 42% interest in an adjoining 6,550 acres.



Late in the year the Company took a 10% participating interest in the drilling of a deep foothills test near the town of Entrance, Alberta. The well, drilled on a 12,300 acre drilling reservation, has reached total depth of 11,400 feet and is now being evaluated. All test data is being held confidential by the participating companies.

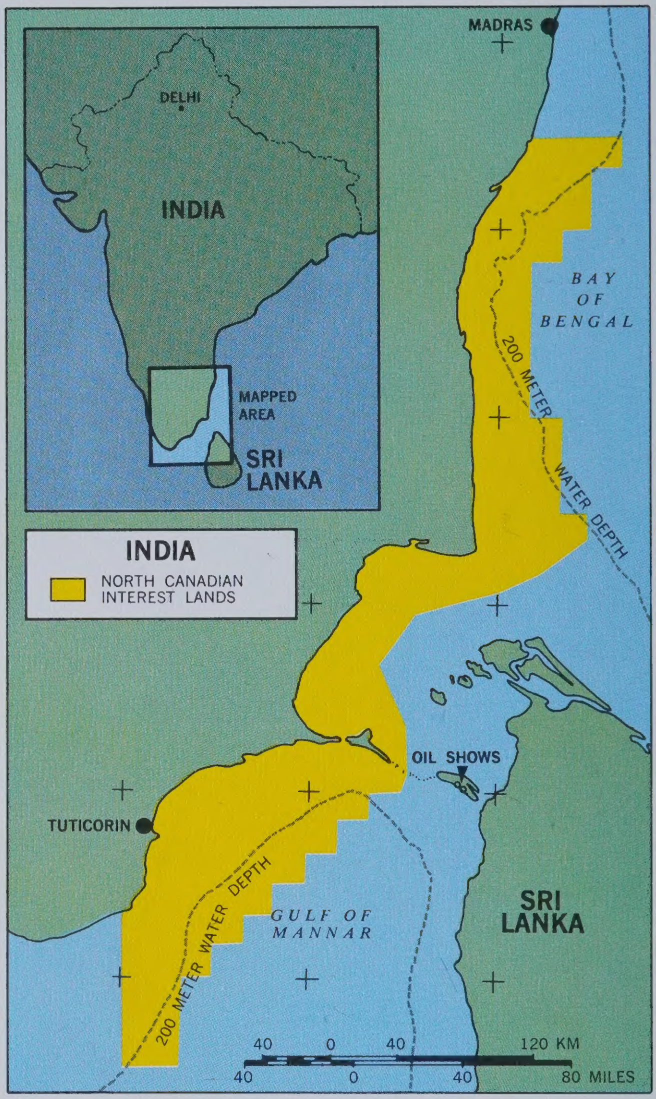
A sharply renewed interest in the search for uranium has focused attention on the Lake Athabasca region of Alberta. In the past year, applications have been filed by a number of companies for a total of some 850,000 acres of exploration permits in the area where North Canadian holds 3,400 acres of quartz mineral leases. The leases, held since 1970, were selected following a geological and scintellometer survey of 186,000 acres of permit lands originally held by North Canadian.

Further activity in the Company's coal properties at Robb has been temporarily suspended pending clarification by the Alberta government of the environmental regulations applicable to coal development on the Eastern Slopes and establishment of the proposed new coal royalty rates. It is understood that an announcement pertaining to these matters will be made soon.


NORTHWEST TERRITORIES
ALBERTA
118°
116°
114°
112°
Lake Athabasca
59°
Ft. Chipewyan
BISON LAKE
57°
ATHABASCA
TAR SANDS
SASKATCHEWAN
DIXONVILLE
Lesser Slave Lake
55°
BRITISH COLUMBIA
CORBETT CREEK
FIGURE LAKE
ENTRANCE
Edmonton
Hinton
NORTH CANADIAN GAS PIPELINE
ROBB
JOARCAM
53
THREE HILLS
CREEK
NORTH CANADIAN PROPERTIES
AND INTERESTS — 1975
Petroleum & Natural
Gas Lands
Current Exploratory Well
Oil Production
Gas Production
Coal Leases
Mining Claims
Calgary
51°
Invermere
ATLEE/BUFFALO
MEDICINE HAT
HATTON
HILDA/SCHULER
MEDICINE HAT
ETZIKOM
MONTANA
Major Gas Fields
Major Oil Fields
Major Transmission Lines

Outside of Canada, the Company, in equal partnership with Canadian Superior Oil Ltd. and Asamera Oil Corporation Ltd., has entered an offshore exploration and production sharing contract with the government of India. The concession area granted under the contract covers approximately 8.5 million acres over the offshore shelf extending between India and Sri Lanka (Ceylon) in an area referred to geologically as the Cauvery Basin. As an indication of the high regard in which it holds the concession area, the Indian government, through its Oil and Natural Gas Commission has retained a 35% working interest in the venture and to that extent will share in the risk and cost of exploration. Geophysical exploration of the concession commenced early in January 1976.

The addition of the Cauvery Basin acreage coupled with the release of 1.8 million acres of permit lands in the Northwest Territories, in which North Canadian held a 25% interest, considerably changed the character of the Company's undeveloped land holdings in 1975. In Alberta, currently the most active area of exploration in Canada, the Company acquired an additional 42,440 acres. Total Canadian land holdings at year end was 298,500 acres.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

Comparison of 1975 to 1974

- Total corporate revenue increased by $2.9 million or 40%. The increase was directly due to a 91% increase in gas production revenue resulting from a 57% increase in the average price paid the Company for its gas coupled with a 21% increase in the volume of sales. Pipeline revenue was higher by 7.6% and investment income was unchanged. Due to the expiration, in mid 1974, of a short term production sub-lease purchased earlier by the Company, revenue from crude oil production showed a drop of 60% compared to the previous year.

- Royalties, as a percentage of production revenue were, as might be expected, up sharply. $1,616,000 versus $606,000.

- Operating and administrative expenses, excluding the cost of gas purchased for resale, were held to an increase of 7.5%.

- Interest expense was down by 11.8% due to the reduction in long term debt.

- The reduction in depletion expense results from the expiration of the short term production lease referred to in the discussion of revenue.

- The increase of $400,000 in income taxes is directly attributable to the substantial increase in taxable income.

- Cash flow, or internally generated funds available for exploration, development, retirement of debt, preferred share dividends and the payment of income tax, was $5.8 million or $1.01 per share compared to $4 million or 72¢ in 1974.

- Net income in 1975 was a record $3,277,000 or 56¢ per share after provision for payment of the peferred share dividend. This is an increase of 76% over the comparable figure of $1,860,000 or 31¢ per share reported in 1974 before deduction of a non-recurring loss of $1,174,000.

- Working capital of $581,000 at the year end was down from the beginning of the year by $166,000.The decrease, which is not considered a matter of concern, was more than offset by the reduction of $1.8 million or 23% in the Company's long term debt.

- The St. Regis Paper Company 6% convertible debentures in the principal amount of $15 million were received by the Company in 1969 in consideration for the sale to St. Regis of its interest in North Western Pulp and Power. The conversion privilege which entitles North Canadian at its option to exchange the debentures for common shares of St. Regis, at a price of $37.43 a share, was intended to expire on January 2, 1976, but by agreement with St. Regis was recently extended to January 2, 1978. Fully converted, the debentures are exchangeable for approximately 400,000 shares of St. Regis common stock.

- In 1975 the Company spent $1,502,000 for exploration, an increase of 32%. $1,122,000 was spent on development, a decrease of 55%.

Comparison of 1974 to 1973

- Revenue in 1974, before deducting royalties, was $7.2 million. Of this, gas sales accounted for 47%, pipeline sales 28%, oil sales 10% and investment and other income 15%. Compared to 1973 the overall increase of 17% was primarily due to a 32% increase in the weighted average gas price and a 7% improvement in gas production. Although crude oil production was down as the short term production sub-lease acquired in 1972 terminated in July, the loss of revenue was materially offset by the increased price of crude. The net reduction for the year was approximately $100,000. Gross revenue from the Wabamun - Hinton pipeline increased over the previous year but the increase in net return was restricted due to the higher cost of gas purchased for resale. Investment and other revenue remained constant over the two years.

- Royalties rose significantly from $407,000 to $606,000 as the Alberta government implemented higher royalty rates as gas and oil prices increased.

- Production and pipeline expense and the cost of gas purchased for resale were up by 10% due to inflationary pressures and increased gas prices. Although administrative costs were closely controlled, an increase of $39,000 was recorded over the previous year.

- Depreciation expense was up 13% as investment in plant and facilities increased.

- The reduction of $108,000 in depletion expense is attributable to the termination in July of the sub-lease acquired in December, 1972.

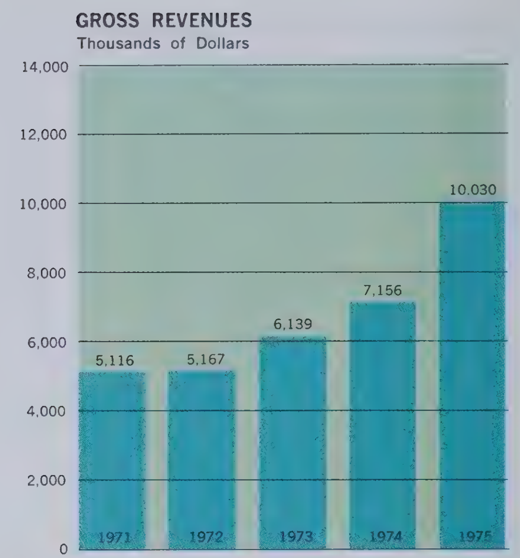
- Income taxes increased by approximately $300,000. The major shift from deferred to current taxes arose from changes in the Income Tax Act reducing the percentage at which development and land acquisition costs could be charged against taxable income. This change deferred the writing off of $1.2 million of development expenditures from 1974 to future periods.

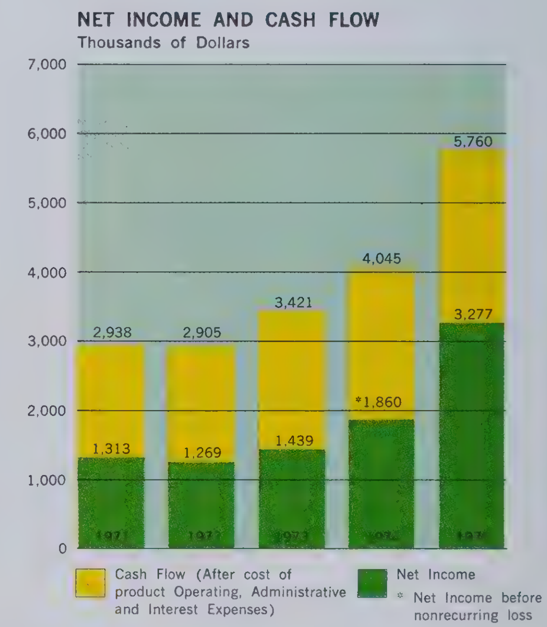
- In 1974 the funds remaining to satisfy debt obligations, corporate taxes, preferred share dividends and exploration and development activity were up 18% or $624,000.

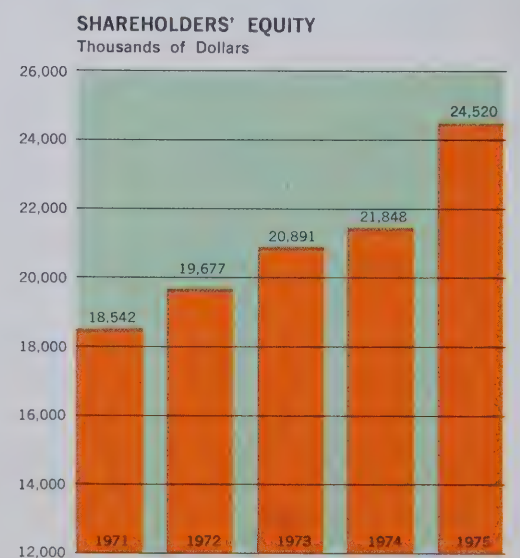
- At the close of 1974, it was the decision of management that an investment of $1.2 million in a non-controlled subsidiary formed for offshore exploration was no longer an asset and was to be written off against 1974 income as a non-recurring loss. Before taking the loss, net income for the year was up by 29%.

- Substantial fourth quarter development expenditures and the increase in income tax required the Company to increase its long term debt at December 31, by $1.2 million. This was, however, partially offset by an increase in working capital of $419,000.

- Due to an extraordinary heavy development program in Saskatchewan to meet higher delivery commitments, capital expenditures by the Company in 1974 were the highest in its history despite an $800,000 reduction in the exploration program.







FIVE YEAR SUMMARY OF OPERATIONS

(in thousands)

Financial	1975	1974	1973	1972	1971
Revenue					
Sale of oil and gas	$ 8,999	$ 6,116	$ 5,072	$ 4,081	$ 3,945
Less royalties	1,615	606	407	233	258
	7,384	5,510	4,665	3,848	3,687
Interest income	900	902	918	930	1,021
Building, rental and miscellaneous	131	138	149	156	150
	$ 8,415	$ 6,550	$ 5,732	$ 4,934	$ 4,858
Expenses					
Operating and Administrative	2,284	2,084	1,881	1,620	1,474
Interest	371	421	430	409	446
	$ 2,655	$ 2,505	$ 2,311	$ 2,029	$ 1,920
Cash Flow (pre-tax)	5,760	4,045	3,421	2,905	2,938
Per common share	1.01	72¢	61¢	52¢	52¢
Depreciation and depletion	701	812	884	612	558
Income before income taxes and non-recurring loss	5,059	3,233	2,537	2,293	2,380
Income taxes					
Current	1,319	971	183	134	320
Deferred	463	402	915	890	747
	1,782	1,373	1,098	1,024	1,067
Net income before non-recurring loss	$ 3,277	$ 1,860	$ 1,439	$ 1,269	$ 1,313
Per common share	56¢	31¢	24¢	20¢	21¢
Non-recurring loss	—	(1,174)	—	—	—
Net income	$ 3,277	$ 686	$ 1,439	$ 1,269	$ 1,313
Per common share	56¢	10¢	24¢	20¢	21¢
Working capital	581	747	328	698	717
Investments	15,000	15,000	16,165	16,155	16,036
Property and Equipment - Net	20,751	18,848	16,027	14,115	12,233
Long Term Debt	5,409	7,227	6,094	6,712	6,681
Shares outstanding					
Common - par value $.25 per share	5,629	5,629	5,627	5,618	5,602
Preferred - par value $50 per share	35	37	39	42	44
Shareholders' Equity	24,520	21,428	20,891	19,674	18,542
Cost of Finding and Developing Reserves					
Exploration	1,502	1,136	1,922	1,035	1,305
Development	1,122	2,453	968	1,427	601
Production and Sales					
Natural Gas Production — billion cubic feet	18.8	15.5	14.5	14.3	14.5
Average per day — million cubic feet	51.5	42.5	39.7	39.2	39.7
Pipeline —					
Annual throughput, billion cubiic feet	6.0	5.0	4.9	4.8	4.6
Oil Production — barrels	52,500	132,000	226,469	68,919	58,540

COMMON STOCK PRICE RANGE

	TORONTO STOCK EXCHANGE (Can. $)		AMERICAN STOCK EXCHANGE (U.S. $)	
Quarter	1975	1974	1975	1974
1st	4.95 / 2.60	6.62 / 4.95	5 - 0/16 / 2 - 9/16	7 - 0/16 / 5 - 0/16
2nd	5.38 / 4.10	5.75 / 3.00	5 - 4/16 / 4 - 1/16	5 - 15/16 / 3 - 8/16
3rd	5.62 / 4.25	3.90 / 2.45	5 - 6/16 / 4 - 1/16	4 - 0/16 / 2 - 6/16
4th	5.00 / 4.15	3.85 / 2.40	5 - 0/16 / 4 - 1/16	3 - 15/16 / 2 - 6/16

NORTH CANADIAN OILS LIMITED

STATEMENT OF INCOME

YEARS ENDED DECEMBER 31, 1975 AND 1974

	1975	1974
Revenue:		
Gross operating revenues	$ 8,999,000	$ 6,116,000
Less royalties	1,615,000	606,000
	7,384,000	5,510,000
Interest income	900,000	902,000
Building revenue and miscellaneous income	127,000	114,000
Gain on foreign exchange	4,000	24,000
	8,415,000	6,550,000
Expenses:		
Operating and cost of gas purchased	2,040,000	1,810,000
Administrative	244,000	274,000
Interest on long-term debt	371,000	421,000
Depreciation	351,000	321,000
Depletion	350,000	491,000
	3,356,000	3,317,000
Income before income taxes and non-recurring loss	5,059,000	3,233,000
Income taxes (Note 7):		
Current	1,319,000	971,000
Deferred	463,000	402,000
	1,782,000	1,373,000
Income before non-recurring loss	3,277,000	1,860,000
Non-recurring loss (Note 3)	—	1,174,000
Net income	$ 3,277,000	$ 686,000
Income per common share (after preferred dividends):		
Income before non-recurring loss	$0.56	$0.31
Net income	$0.56	$0.10

STATEMENT OF RETAINED EARNINGS

YEARS ENDED DECEMBER 31, 1975 AND 1974

	1975	1974
Balance, January 1		
As previously reported	$14,594,000	$18,932,000
Retroactive adjustments:		
Deferred income taxes (Note 7)	—	(4,829,000)
As restated	14,594,000	14,103,000
Net income for the year	3,277,000	686,000
	17,871,000	14,789,000
Deduct:		
Dividends on preferred shares	98,000	106,000
Transfer to capital redemption reserve fund	128,000	89,000
	226,000	195,000
Balance, December 31	$17,645,000	$14,594,000

See accompanying notes to financial statements.

NORTH CANADIAN OILS LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 1975 AND 1974

	1975	1974
Source of funds:		
Net income	$ 3,277,000	$ 686,000
Add (deduct) items not requiring an outlay of funds:		
Depreciation and depletion	701,000	812,000
Gain on disposal of fixed assets	(13,000)	—
Deferred income taxes	463,000	402,000
Non-recurring loss	—	1,174,000
Funds provided from operations	4,428,000	3,074,000
Bank loan	—	3,550,000
Proceeds on sale of fixed assets	34,000	12,000
Proceeds on issue of common shares	—	14,000
Decrease in other assets	—	3,000
Total funds provided	4,462,000	6,653,000
Use of funds:		
Expenditures for property, plant & equipment	2,625,000	3,645,000
Investment in and advances to non-controlled companies	—	9,000
Reduction of bank loan and other long-term debt	1,818,000	2,417,000
Dividends on preferred shares	98,000	106,000
Redemption of preferred shares	87,000	57,000
Total funds used	4,628,000	6,234,000
Increase (decrease) in working capital	(166,000)	419,000
Working capital, beginning of year	747,000	328,000
Working capital, end of year	$ 581,000	$ 747,000

See accompanying notes to financial statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of North Canadian Oils Limited as at December 31, 1975 and 1974 and the statements of income, retained earnings and changes in financial position for the years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1975 and 1974 and the results of its operations and the changes in its financial position for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Calgary, Alberta
February 19, 1976.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

NORTH CANADIAN OILS LIMITED

BALANCE SHEET

DECEMBER 31, 1975 AND 1974

ASSETS

	1975	1974
Current Assets:		
Cash	$ 1,168,000	$ 1,531,000
Accrued interest receivable	383,000	385,000
Accounts receivable	1,320,000	934,000
Prepaid expenses	69,000	80,000
Total current assets	2,940,000	2,930,000
6% St. Regis Paper Company convertible notes, due January 1, 1984 (no quoted market value) (Note 2)	15,000,000	15,000,000
Property, plant and equipment (Notes 1 and 4):		
At cost	28,454,000	25,888,000
Accumulated depreciation and depletion	7,703,000	7,040,000
	20,751,000	18,848,000
Other assets, at cost	176,000	176,000
	$38,867,000	$36,954,000

Approved on behalf of the Board:

Robert F. Reuben, Director

Charles K. Lough, Director

See accompanying notes to financial statements.

LIABILITIES

	1975	1974
Current Liabilities:		
Accounts payable and accrued liabilities	$ 1,503,000	$ 892,000
Income taxes payable	353,000	793,000
Long-term debt due within one year	503,000	498,000
Total current liabilities	2,359,000	2,183,000
Long-term debt (Note 5)	5,409,000	7,227,000
Deferred income taxes (Note 7)	6,579,000	6,116,000
Shareholders' equity (Note 6):		
Capital Stock:		
5½% cumulative redeemable preferred shares, par value $50 each; authorized 70,000 shares; issued 34,686 shares (1974 - 37,262 shares)	1,734,000	1,863,000
Common shares, par value $0.25 each; authorized 7,500,000 shares; issued 5,629,165 shares	1,407,000	1,407,000
	3,141,000	3,270,000
Capital redemption reserve fund	1,766,000	1,637,000
Contributed surplus	1,968,000	1,927,000
Retained earnings	17,645,000	14,594,000
	24,520,000	21,428,000
Commitment (Note 9)		
	$38,867,000	$36,954,000

See accompanying notes to financial statements.

NORTH CANADIAN OILS LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1975

1. ACCOUNTING POLICIES:

The Company follows the full cost method of accounting for exploration and development expenditures, wherein all costs related to the exploration for and development of oil and gas reserves are capitalized. These costs include leasehold acquisition costs, geological and geophysical expenses, carrying charges of non-producing properties, costs of drilling both productive and non-productive wells, oil and gas field production equipment, gathering lines, compressor and gas plants and overhead expenses related to exploration activities. All such costs are being amortized on a composite unit-of-production method based on estimated proven recoverable reserves as determined by independent engineers. The office building and other equipment are depreciated over the estimated useful lives of the assets, whereas the pipeline is being depreciated over the life of the existing gas contract.

2. 6% ST. REGIS PAPER COMPANY CONVERTIBLE NOTES:

Prior to December, 1975, the notes could be converted into St. Regis common stock at approximately $38 (U.S.) per share until January 2, 1976. In December, 1975, the Company and St. Regis agreed to extend the conversion privilege of the notes to January 2, 1978. The quoted market value of St. Regis common shares was approximately $34 (U.S.) and $19 (U.S.) at December 31, 1975 and 1974 respectively.

3. INVESTMENT IN AND ADVANCES TO NON-CONTROLLED COMPANIES:

Pursuant to an agreement, North Canadian Oils Limited joined with others in 1970 in the formation of a company for the purpose of participating in off-shore exploration ventures. In this connection, the Company purchased 40,000 shares for an aggregate consideration of $40,000 and advanced a total of $1,134,000 (U.S.). During 1974 the Company wrote off the investment and the advances.

4. PROPERTY, PLANT AND EQUIPMENT:

	1975		1974	
	Cost	Accumulated Depreciation and Depletion	Cost	Accumulated Depreciation and Depletion
Petroleum and natural gas leases, rights, exploration, and development costs and related equipment thereon	$23,097,000	$3,844,000	$20,543,000	$3,360,000
Land, pipeline, building and other equipment	5,357,000	3,859,000	5,345,000	3,680,000
	$28,454,000	$7,703,000	$25,888,000	$7,040,000

5. LONG-TERM DEBT:

	1975		1974	
	Due Within One Year	Long Term Portion	Due Within One Year	Long Term Portion
6% Series A Secured Notes maturing October 1, 1979	$250.000	$1.355.000	$250,000	$1,605,000
5½% Series B Secured Notes ($1,483,000 U.S., 1974 $1,713,000 U.S.) maturing October 1, 1979	233.000	1.345.000	228.000	1,592,000
6% Mortgage, repayable in quarterly instalments of $5,000 plus interest, maturing March 1, 1977	20,000	5,000	20,000	25,000
Bank Loan	—	2,700.000	—	4,000,000
5½% Mortgage, due March 5, 1982	—	4,000	—	5,000
	$503,000	$5,409,000	$498,000	$7,227,000

The bank loan bears interest at the rate of ½% above the bank prime rate and is secured by $4,000,000 of 6% St. Regis Paper Company convertible notes, due January 1, 1984. Although the loan is subject to call on demand, the agreement requires repayment in June 1977. The 6% mortgage is secured by the office building.

The Series A and B Notes are secured by a first mortgage on the Company's gas pipeline, its interests in certain gas fields and the related gas purchase and sales contracts.

Sinking fund instalments are required on October 1 of each of the following years:

	Series A (Canadian)	Series B (U.S.)
1976	$250,000	$230,000
1977 and 1978	250,000	230,000
Balance in 1979	855,000	793,000

These notes may be redeemed prior to maturity at a premium of 1.5% (Canadian) and 1.36% (U.S.) until October 1, 1976. The premium then decreases .5 of 1% per year on Series A Notes and .46 of 1% on Series B Notes with no premium on redemptions made after October 1, 1978.

The current portion of the Series B Notes has been converted to Canadian dollars at the rate of exchange in effect on December 31, 1975. The long term portion represents the Canadian dollar equivalent of United States dollars on the date of receipt.

6. CAPITAL STOCK AND STOCK OPTIONS:

Preferred Shares Redeemed:

Under the terms of issue of its preferred shares, the Company is required to purchase for cancellation 2,000 preferred shares in each year. The shares may be redeemed from the holders on 30 days notice or purchased on the market.

At December 31, 1975, requirements had been met and in addition 2,000 shares applicable to June 1, 1976 and 1,314 shares applicable to June 1, 1977 have been cancelled (2,576 were purchased and cancelled in 1975). In connection with the redemption of the preferred shares, $129,000 and $89,000 was transferred to the capital redemption reserve fund for 1975 and 1974 respectively. The difference between the acquisition cost and the par value of the preferred shares redeemed, in the amounts of $41,000 and $32,000, have been credited to contributed surplus for 1975 and 1974 respectively. The preferred share indenture imposes certain restrictions on the payment of common share dividends.

Common Shares Issued:

	1975	1974
Shares issued	—	2,500
Consideration credited to:		
Capital stock	—	$ 1,000
Contribution surplus	—	13,000
	—	$14,000

Stock Option Plan:

	1975	1974
Options granted	10,800	5,000
Options exercised	—	2,500
Options expired	10,000	—
Options outstanding at December 31	25,800	25,000
Option price	$3.56 - $5.99	$3.56 - $5.99

The options are exercisable cumulatively in three equal instalments within a five-year period with the first instalment exercisable one year after date of granting the option. Under the provision of the plan no further options could be granted after April 30, 1975.

Payment for shares issued under the stock option plan was accepted by the Company in the form of notes receivable. The notes, which are secured by the purchased shares, are non-interest bearing until they mature, at which time they bear interest at 8%. They become due at the earlier of the date of voluntary termination of employment of the optionee, the date of sale of the purchased shares or ten years from the subscription date. The notes receivable in the amount of $140,000 at December 31, 1975 and 1974 (of which $112,000 is due from a director and a retired officer) are carried on the balance sheet under other assets.

7. INCOME TAXES:

During 1974 the Company retroactively adopted the tax allocation basis of accounting with respect to all timing differences between taxable income and reported income. Under tax allocation, deferred income taxes are provided to the extent that current income taxes have been reduced by claiming capital cost allowances and drilling exploration and lease acquisition costs in excess of the related expenses reflected in the accounts. In prior years, deferred income taxes had only been provided on timing differences between depreciation and capital cost allowances.

8. STATUTORY INFORMATION:

Directors and senior officers (comprising a group of 11 in 1975 and 9 in 1974, including the five highest paid employees) of the Company received remuneration amounting to $184,000 in 1975 and $124,000 in 1974.

9. COMMITMENT:

Pursuant to an agreement dated October 1975, with the government of India, the Company is committed to the expenditure of a minimum of $1,083,000 (U.S.) over the next three years.

10. ANTI-INFLATION ACT:

Effective October 14, 1975, the federal government enacted a program of restraint on prices, profits, dividends and compensation. The Company does not come under the mandatory aspects of the program other than those provisions pertaining to the payment of dividends.

DIRECTORS

C. M. HAMILTON
Business Consultant,
Calgary, Alberta

MARSHALL A. JACOBS
Senior Partner, Jacobs, Persinger & Parker,
New York, New York.

CHARLES K. LOUGH
Secretary-Treasurer of the Company,
Calgary, Alberta.

ROSS A. MacKIMMIE, Q.C.
Senior Partner, MacKimmie Matthews,
Calgary, Alberta.

IVAN SUTHERLAND
Vice-President,
North Western Pulp and Paper,
Hinton, Alberta.

ROBERT F. RUBEN
President and Chief Executive Officer of the Company,
Calgary, Alberta.

OFFICERS

ROBERT F. RUBEN
President and Chief Executive Officer

D. F. CHRISTENSEN
Vice-President, Exploration

NATHAN GOODMAN
Vice-President, Production

CHARLES K. LOUGH
Secretary-Treasurer

KEY PERSONNEL

W. K. MILLER
Manager, Gas Transmission

D. E. MACDOUGALL
Chief Geologist

B. L. COOK
Land Manager

CAPITAL

7,500,000 Common Shares having a Par Value of Twenty-five Cents per Share
Issued 5,629,165

70,000 Preferred Shares having a Par Value of $50.00 per Share.
Issued 34,686

COMMON SHARE REGISTRARS

GUARANTY TRUST COMPANY OF CANADA,
Calgary, Alberta

The BANK of NOVA SCOTIA TRUST COMPANY of NEW YORK,
New York City, U.S.A.

COMMON SHARE TRANSFER AGENTS

GUARANTY TRUST COMPANY OF CANADA,
Calgary and Toronto

The BANK of NOVA SCOTIA TRUST COMPANY of NEW YORK,
New York City, U.S.A.

PREFERRED SHARE REGISTRAR AND TRANSFER AGENTS

GUARANTY TRUST COMPANY OF CANADA,
Calgary and Toronto

COMMON SHARES LISTED

AMERICAN STOCK EXCHANGE
TORONTO STOCK EXCHANGE

PREFERRED SHARES LISTED

TORONTO STOCK EXCHANGE, Toronto

AUDITORS

PEAT, MARWICK, MITCHELL & CO., Calgary, Alberta

BANK AFFILIATIONS

THE MERCANTILE BANK OF CANADA,
Calgary, Alberta

THE BANK OF NOVA SCOTIA,
Calgary, Alberta

HEAD OFFICE

640 Seventh Avenue Southwest, Calgary, Alberta

FORM 10K

North Canadian Oils Limited will furnish upon written request, to any registered shareholder without charge, a copy of its most recent Annual Report — Form 10K, as filed with the United States Securities and Exchange Commission.

TWENTY - NINTH ANNUAL REPORT 1975

NORTH CANADIAN OILS LIMITED
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